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C O N F I D E N T I A L SECTION 01 OF 02 KINSHASA 001717

SIPDIS

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [CG](#)

SUBJECT: VP BEMBA UPBEAT ON POST-TRANSITION ECONOMY

REF: A. REF: A: KINSHASA 1195

[B. B:](#) KINSHASA 1485

[C. C:](#) KINSHASA 1672

[D. D:](#) KINSHASA 1642

[E. E:](#) KINSHASA 1665

Classified By: Classified By: Econs Couns G. Groth for reasons 1.4 b/d

[¶1.](#) (C) Summary. At an October 4 meeting with the Ambassador and Economic Counselor in his office, Vice President Jean Pierre Bemba was upbeat and optimistic about the DRC economy and ostensibly about prospects for 2006 and the post-elections period. He laid out the GDRC stance on the ongoing teachers' strike, saying that the government could only do so much, given the budget figures. On elections, Bemba opined that more than 20 million voters would ultimately be registered, and that this would be achieved before the scheduled December 18 constitutional referendum. Bemba affirmed he will support European Security Mission proposals to reform military pay and support. End summary.

[¶2.](#) (C) Ambassador thanked Bemba for the help and support of his office for the recently signed agreement between Phelps-Dodge and the GDRC for the exploration and exploitation of the Tenke-Fungurume copper/cobalt concession in Katanga Province (ref A). Bemba described the GDRC's actions as its "duty" and acknowledged that finalizing the agreement had taken longer than everyone had hoped. He was convinced that this agreement would lead to other investments, especially after the transition period.

[¶3.](#) (C) Bemba was upbeat and optimistic, and predicted an economic "boom" following elections in 2006. He noted the current stability of the exchange rate and the reduced inflation rate since 2003, when it hit 150 percent. (Note: Post market basket estimates put inflation in 2005 at about 30 percent; Central Bank calculations put it at 26.5 percent. Most of this occurred in the first half of 2005 End note.) Bemba predicted that inflation for 2006 would only be in the single digits. He also predicted that economic growth would go from an estimated seven percent in 2005 to ten percent in 2006, citing the signs of increased economic activity visible in Kinshasa: more vehicles on the roads, more construction, and more ships at the port.

[¶4.](#) (C) Bemba noted two sectors he felt important to future economic development: the liberalization of the insurance industry (Note: the GDRC is currently discussing ending the insurance parastatal monopoly. End note.), and the further reform of the banking sector. Prospective new banking laws, he said, would allow banks to modernize and to play a more active, intermediary role in the economy.

[¶5.](#) (C) Ambassador laid out the current state of debt reduction on DRC debts owed to the U.S. Bemba thanked the U.S. for the recently signed debt reduction (ref B) Bemba went on to put forward an optimistic scenario of GDRC revenue projections, starting with USD 560 million in 2004, USD 800 million in 2005, and predicting USD 1 billion for 2006. (Note: Bemba was talking about the GDRC's own receipts, and noted that the annual budgetary contributions from the international donor community could double these figures. End note.) These estimates agree with the budget minister's recent projections. Bemba predicted that by 2010, the GDRC would be taking in about USD five billion in receipts annually.

[¶6.](#) (C) Ambassador asked about Bemba's views on the current teachers' strike, which continues despite GDRC efforts to resolve this salary dispute (ref C and D). Bemba indicated that if it had been up to him, he would have done things differently, but said that the government had ultimately laid out the current budget figures for the striking unions and told them what was possible. He revealed that the IMF communicated to the GDRC its appreciation of the government's efforts to resolve the strike, but that the IMF also expressed concern that any settlement with teachers would have an effect on negotiations with other striking civil servants. Bemba ridiculed the idea of paying teachers USD 200 per month, saying that this would cost over USD 300 million per month and would amount to nearly 10 percent of the budget. (Note: Vice President Z'Haidi Ngoma had last

year promised wages of USD 208 per month to unhappy government workers. While the promise bought time, it represented a completely unrealistic commitment that is now causing problems. End note). He said that the government can raise teachers' salaries by 25 percent in 2006, although any increases above original 2006 projections would necessitate decreases elsewhere in the budget. He accused unnamed persons of wanting to politicize the issue, by way of explanation for outbreaks of violence at some private schools and at teachers' union meetings.

17. (C) Ambassador raised elections, (ref E) noting that nearly 15 million have registered already. Bemba predicted that at least 20 million voters would eventually register, and that the constitutional referendum would have to take place on December 18 without fail. Ambassador responded that any delay would hurt the transition, and that it is very important to ensure that the referendum is held in time for extension of the Transition period (needed prior to December 31), and for the general electoral calendar to be observed. The final total registered to vote is less important than ensuring that all eligible Congolese have the opportunity to register, and the overall integrity of the election process.

18. (C) The Ambassador emphasized the need for more progress in security sector reform, specifically rapid approval and implementation of the extensive proposals prepared by the European Security Mission (EUSEC) for reforms to provide regular pay and support to FARDC troops. Bemba asserted that he fully supports the proposals, but opposition among senior FARDC officers is holding things up in the Supreme Defense Council. Bemba agreed that it would be a good idea for the International Committee to Accompany the Transition (CIAT) to broach this subject at the next meeting with the Espace Presidential (President Kabil and the four Vice Presidents), and said he would be prepared to support the EUSEC report in that forum.

19. (C) Comment. Vice President Bemba is perhaps overly optimistic about inflation, growth, and government receipt figures, but his observations about improving investment and economic activity seem reasonable. With regard to the teachers' strike, he neglects to mention that he originally signed on to the pledge to pay teachers up to USD 200 per month, an idea which he now rejects. Bemba blustered a bit that if he were in charge of the teacher negotiations - or elections for that matter - things would be fine, a typical Bemba stance. Contrary to rumors of a pending visit to the U.S. in the wake of the Phelps-Dodge signing, Bemba said nothing of any desired American travel. In fact, Bemba's own political position is weakening, in part a reaction within his party to his rather authoritarian style, and he probably intends to concentrate for the time being on the home front.
End comment.

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